

OTS SUMMARY PLAN DESCRIPTION
for
COMBINED SYNOPSIS/SOLICITATION NUMBER TOTS-RFP-05-5000001
(As a reminder when processing your Flexible Spending Account (FSA)
Health Care Account Claims:)

Documentation Required:

- A completed and signed FSA Claim Form.
- Proof from a third party that an expense has been incurred. Specifically, an Explanation of Benefits from your insurance carrier for health claims that are arguably eligible for insurance coverage. An itemized receipt from your provider for vision and dental claims is also acceptable.

Review process:

Erisa is responsible for reviewing claims according to the regulations of Internal Revenue Code Section 125. In some instances, further documentation may be required by Erisa to determine medical necessity.

In general, what's eligible:

- Deductibles and copayments for health care plans (medical, dental, vision)
- Coinsurance (the percentage of charges not paid by your health care plan)
- Amounts over usual and customary limits
- Prescription drugs that treat a medical condition
- Certain over-the-counter medications
- Vision care which includes optometrist's or ophthalmologist's fees, prescription eyeglasses and sunglasses, contact lenses and corrective eye surgery
- Dental and orthodontic care

In general, what's not eligible:

- Expenses paid by your health care plan
- All premiums for insurance coverage (including health insurance, long-term care, loss of income and loss of life) or membership dues in an HMO or preferred provider organization
- Prescription drugs for cosmetic purposes, weight loss or lifestyle enhancements
- Lens replacement insurance
- Clip-on sunglasses for prescription glasses
- Teeth bleaching and tooth bonding that is not medically necessary
- Cosmetic surgery or procedures that improve the patient's appearance but do not meaningfully promote the proper function of the body or prevent or treat an illness or disease

Timeframe:

CompuSys/Erisa aims to process claims in 3-5 calendar days from the date they receive them, but this is not always possible. Moreover, delivery of your reimbursement checks depends upon postal service in Texas (where CompuSys/Erisa is located) and in your area. In addition, there is a two-business day settlement for all direct deposits.

Website:

The address for the OTS FSA website is www.otsfsa.org.

Intranet:

For detailed information on eligible expenses, documentation, claims processing, etc., scroll down.

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Pretax Benefits

Introduction

OTS offers employees the opportunity to participate in programs that allow payment for certain benefits and expenses on a pretax basis. These pretax benefit programs include:

- Premium Conversion Plan
- Flexible Spending Accounts - FSA

These programs are voluntary and employees may participate in them to complement existing benefit programs offered by OTS.

This summary is designed to provide a general, easy-to-read explanation of the pretax benefits. The complete provisions of the plans are contained in the plan document which governs in the case of any differences between it and this summary. The plan document is maintained at the OTS Human Resources Division in Washington.

The OTS pretax benefit programs are administered by:

CompuSys/Erisa Group Texas
12325 Hymeadow Drive
Austin, TX 78750-1849

Eligibility

All OTS employees are eligible to participate in the pretax benefit programs.

Effective Date of Coverage

Coverage under the pretax benefit programs becomes effective on the first day of the first full pay period of the plan year.

Newly hired employees' effective date of coverage begins on the first day of the pay period following enrollment which must be no later than the 31st day of their hire date.

Cost

OTS pays the entire administrative cost of the Pretax Benefits Program. The Plan is funded by employee pretax contributions.

Pretax Benefits

Premium Conversion Plan

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The OTS Premium Conversion Plan allows employees to pay premium contributions towards group health and/or life insurance plans on a pretax basis. Employees have the opportunity to save taxes on premium contributions paid towards the Federal Employees Health Benefits Program (FEHBP), the OTS Life Insurance Plan or the Federal Employees Group Life Insurance (FEGLI) program.

The Premium Conversion Plan is available to all employees who contribute to the cost of their group health and/or life insurance plans. Employees are automatically enrolled in the Premium Conversion Plan unless a Premium Conversion Plan Waiver Form is completed and submitted to Human Resources.

Plan Design

Salary deductions for health insurance premiums are deducted from employees' pay checks before federal, Social Security, and most state taxes are deducted. 100 percent of health premiums are deducted on a pretax basis throughout the plan year.

Salary deductions for life insurance premiums are deducted up to the first \$50,000 worth of life insurance benefits. Premiums paid towards life insurance benefits over \$50,000 are made on an after tax basis. This is true even though the employee does not make a premium contribution for the first \$50,000 worth of life insurance benefits.

EXAMPLE

An employee (annual salary of \$35,000) is enrolled in only the OTS Life Insurance Plan (not FEGLI) and has additionally elected optional life insurance of three times annual salary. The employee does not contribute towards the cost of OTS Basic life insurance, but does contribute towards the optional insurance.

Employee's Basic life insurance benefit is two times annual salary or \$70,000. This amount exceeds the \$50,000 threshold established by IRS and the employee may not deduct premium contribution amounts paid towards optional insurance on a pretax basis, even though the employee does not contribute for Basic life insurance.

Social Security Impact

The Premium Conversion Plan reduces your gross pay for purposes of federal, Social Security and most state taxes. You contribute to the Social Security fund over a period of qualifying years and, when eligible, receive a Social Security benefit at retirement. Amounts deducted under the Premium Conversion Plan may affect your Social Security benefit. Employees earning the maximum salary subject to Social Security when group health and/or life insurance amounts are deducted will not be subject to reduced benefits. Employees earning less than the maximum salary subject to Social Security may be subject to a reduction in benefits. Refer to the Social Security Reduction Table at the end of this chapter. For further information, employees should consult Social Security.

Impact on Other Benefits

Paying group health and eligible life insurance contributions on a tax-free basis will not affect other benefits offered to you by OTS, such as retirement, long term disability and any others connected with salary. These benefits, along with any pay increases, are based on your full salary before premium contributions are deducted. The Premium Conversion Plan changes only the way premiums are paid.

Tax Requirement

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There are no special reporting requirements on tax forms. At the end of the year, W-2 forms will reflect employees' adjusted taxable income. The earnings reported will exclude Premium Conversion Plan contributions deducted from pay.

Flexible Spending Accounts - FSA

The Flexible Spending Accounts (FSA) program allows employees the opportunity to pay out-of-pocket health and dependent care expenses with tax-free dollars.



Benefits of FSA

- You can increase take-home pay by reducing the amount you pay in taxes.
- You have the opportunity to make choices based on your individual and family needs.
- Participation provides an incentive to budget money for your family health and/or dependent care expenses.
- You have the satisfaction of knowing you have tax-free money set aside to reimburse you for expenses not covered, or not covered in full, by your existing benefit plan.

Plan Design

Tax legislation and Internal Revenue Service (IRS) interpretations make it possible for employers to offer flexible spending accounts to their employees. The IRS does not require employees to pay tax on money spent on benefits, including health and dependent care out-of-pocket expenses. That means employees do not have to pay federal, state (in most areas) or Social Security taxes on money they deposit in flexible spending account programs administered in accordance with Section 125 of the IRS code.

With the OTS FSA, employees can set aside tax-free dollars in special accounts to pay out-of-pocket expenses they now pay with after-tax dollars.

FSA consists of two types of accounts.

- Health Care Account
- Dependent Care Account

Employees may choose to enroll in either, both, or neither account based on their family's needs.

FSA works much like a direct deposit checking account. Employees decide how much to deposit in each account to cover expenses they anticipate incurring during the plan year. The money is automatically deducted from an employee's pay check each pay period before taxes are deducted. When out-of-pocket expenses are incurred, employees draw against their FSA to get reimbursed with their own money tax-free. Employees' deposits in FSA are never taxed, not when deposits are made, or when reimbursements are received, nor when income tax returns are filed.

Health Care Account

Employees may deposit from \$100 to \$5,000 in a health care account for the 2005 plan year, which is 12/26/04 through 12/24/05. (This amount may be adjusted each plan year and will be announced during "open season.") The health care account covers eligible expenses incurred during the plan year that are not reimbursed or paid for by existing health insurance programs. If you use the health care account to get reimbursed for eligible expenses, you

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cannot take a tax deduction for the same expenses. The IRS requires that you incur 7.5 percent of your adjusted gross income in health care expenses before you can claim a deduction on your federal income tax return. With FSA, you can save taxes on as little as \$100 in health care expenses regardless of your income.

Refer to "Eligible Expenses" for a list of those expenses that qualify for reimbursement under the health care account.

Dependent Care Account

Employees may deposit from \$100 to \$5,000 in a dependent care account. The IRS limits the amount employees may deposit in the dependent care account each year. The maximum annual amount employees may set aside is the lesser of:

- \$5,000 if single or married filing jointly,
- \$2,500 if married filing separately, or
- the employee's or spouse's income, whichever is lower.

The dependent care account allows employees to use tax-free dollars to pay for dependent care services that make it possible for you and your spouse (if you're married) to work.



The dependent care account reimburses you for child care fees for children under 13 as well as for disabled spouses or dependents who are mentally or physically incapable of self-care.

These are the same expenses considered eligible for the federal child care credit. If you choose to be reimbursed for child care expenses through the dependent care account, you cannot take advantage of the federal child care tax credit.

Refer to "Eligible Expenses" for a list of those expenses that qualify for reimbursement under the dependent care account.

Eligible Expenses

Health Care Account

Here is a list of expenses that qualify for reimbursement from the Health Care Account. Generally, eligible expenses include deductibles, copayments and other health care expenses for you, your spouse and your dependents not paid by health care plans. Under most of the categories, you'll also find examples of expenses that do not qualify for reimbursement because they are not considered legitimate deductions for federal income tax purposes. For the complete listing of eligible health care expenses, refer to [IRS Publication 502](#).

Deductibles and Copayments

- Eligible expenses:
 - * Deductibles and copayments for health coverage or HMO
 - * Deductibles and copayments for dental coverage
 - * Deductibles and copayments for vision and hearing care coverage
 - * Deductibles and copayments for prescription drug coverage
 - * Amounts over usual and customary

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- Ineligible expenses:
 - * Premiums for your or your spouse's health coverage
 - * Membership in a health maintenance organization or preferred provider organization
 - * Premiums for dental, vision, hearing or prescription drug coverage
 - * Premiums for Medicare Part B
 - * Premiums for medical plans not sponsored by your employer
 - * Premiums for automobile insurance, including segments that provide medical coverage for injuries caused by an auto accident
 - * Premiums for life insurance policies that provide repayment for loss of earnings or for general health purposes
 - * Contributions to state disability funds

Prescription Drugs

- Eligible expenses:
 - * Vitamins and mineral supplements prescribed for treatment of an illness
 - * Prescription drugs that treat a medical condition
 - * Insulin
 - * Smoking cessation prescriptions
- Ineligible expenses:
 - * Vitamins taken for general health purposes
 - * Over-the-counter items such as amounts for paid toiletries (e.g., toothpaste), cosmetics (e.g., face creams), and other sundry items, vitamins, herbal remedies and supplements taken to promote general health and well being
 - * Prescription drugs for cosmetic purposes, weight loss or lifestyle enhancements



Over-the-Counter Items

- Eligible expenses:

Antiseptics

- * Antiseptic wash or ointment for cuts or scrapes
- * Benzocaine swabs
- * Boric Acid powder
- * First aid wipes
- * Hydrogen Peroxide
- * Iodine tincture
- * Rubbing Alcohol
- * Sublimed Sulfur powder

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Asthma Medications

- * Bronchodilator/Expectorant tablets
- * Bronchial asthma inhalers

Cold, Flu, and Allergy Medications

- * Allergy medications
- * Cold relief syrup and tablets
- * Cold drops and syrup
- * Flu relief tablets or liquid
- * Medicated chest rub
- * Nasal decongestant inhaler, spray or drops
- * Nasal strips to improve congestion
- * Sinus and allergy homeopathic nasal spray
- * Sinus medications
- * Vapor patch cough suppressant

Diabetes

- * Diabetic lancets, supplies and test strips
- * Glucose meters

Ear/Eye Care

- * Airplane ear protection
- * Ear drops for swimmers
- * Ear water-drying aid
- * Ear wax removal drops
- * Homeopathic earache tablets
- * Contact lens solutions

Health Aids

- * Antifungal treatments
- * Denture adhesives
- * Diuretics and water pills
- * Hemorrhoid relief

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- * Incontinence supplies
- * Lice control
- * Medicated bandages
- * Motion sickness tablets
- * Respiratory stimulant ammonia
- * Sleeping aids
- * Smoking cessation

Pain Relief

- * Arthritis pain reliever
- * Bunion and blister treatments
- * Itch relief
- * Orajel
- * Pain relievers, aspirin and non-aspirin
- * Throat pain medications

Personal Test Kits

- * Cholesterol tests
- * Colorectal cancer screening tests
- * Home drug tests
- * Ovulation indicators
- * Pregnancy tests

Skin Care

- * Acne medications
- * Anti-itch lotion
- * Bunion and blister treatments
- * Cold sore and fever blister medications
- * Corn and callus removal medications
- * Diaper rash ointment
- * Eczema cream
- * Medicated bath products

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- * Wart removal medications

Stomach Care

- * Acid reducers
- * Antacid gum, liquid and tablets
- * Anti-diarrhea medications
- * Gas prevent food enzyme dietary supplement
- * Gas relief drops for infants and children
- * Ipecac syrup
- * Laxatives
- * Pinworm treatment
- * Prilosec
- * Upset stomach medications
- Ineligible expenses:
 - * Aromatherapy
 - * Baby bottles and cups
 - * Baby oil
 - * Baby wipes
 - * Breast enhancement system
 - * Cosmetics
 - * Cotton swabs
 - * Dental floss
 - * Deodorants
 - * Facial care
 - * Feminine care
 - * Fragrances
 - * Hair regrowth
 - * Low “carb” foods
 - * Low calorie foods
 - * Oral care

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- * Petroleum jelly
- * Shampoo and conditioner
- * Skin care
- * Spa salts
- * Sun tanning products
- * Toothbrushes
- Dual use – requires doctor letter:
 - * Adhesive or elastic bandages
 - * Blood pressure meter
 - * Cold or hot compresses
 - * Eye drops
 - * Foot spa
 - * Gauze and tape
 - * Gloves and masks
 - * Herbs
 - * Leg or arm braces
 - * Massagers
 - * Minerals
 - * Multivitamins
 - * Saline nose drops
 - * Special supplements
 - * Special teeth cleaning system
 - * Thermometers
 - * Vitamins

Medical Equipment and Supplies

- Eligible expenses:
 - * Wheelchairs, crutches (purchased or rented) and other durable medical equipment
 - * Autoette (cost of operating/maintaining)
 - * Oxygen and oxygen equipment used to relieve breathing problems that result from a medical condition
 - * Syringes, needles and other medical supplies

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- * Prosthetic and orthopedic devices
- * Excess cost of orthopedic shoes over cost of ordinary shoes
- * Wigs where necessary to the mental health of a person who loses hair because of disease
- Ineligible Expenses:
 - * Wigs when not considered medically necessary for mental health
 - * Mechanical exercise device not specifically prescribed by a physician

Dental and Orthodontic Care

- Eligible expenses:
 - * Fees for dentist, dental hygienist, orthodontist or periodontist
 - * Dental check-ups, X-rays, extractions and fillings
 - * Artificial teeth and dentures
 - * Braces and orthodontic devices (only those incurred within the active plan year)
 - * Cost of fluoridation of home water supply recommended by a dentist
- Ineligible expenses:
 - * Teeth Bleaching
 - * Tooth bonding that is not medically necessary



Uninsured Medical Fees and Services

- Eligible expenses:
 - * Fees for any licensed physician, including a dermatologist, anesthesiologist and gynecologist
 - * Hospital services, including fee for a private room (make sure nothing was cut)
 - * Fees for a registered nurse or licensed practical nurse for medical care
 - * Laboratory and X-ray diagnostic services
 - * Confinement in a nursing home for the treatment of an illness or injury
 - * Hospice care
 - * Fees for licensed chiropractors and osteopaths
 - * Christian Science practitioner's fees
 - * Surgery and transplants, including experimental procedures
 - * Vaccinations and immunizations
 - * Cost of a nurse's room and board where nurse's services qualify
 - * Social Security tax paid on a nurse's wages where nurse's services qualify
 - * Founder's fee paid in a monthly or lump sum to a retirement home to cover the portion specifically for medical care
- Ineligible expenses:
 - * Fees for domestic help, companion, babysitter, chauffeur, etc., who primarily render non-medical services, such as house-cleaning
 - * Nursemaids or practical nurses who provide general care for healthy infants
 - * Custodial care in an institution

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- * Fees for which the child care credit is taken on your income tax return

Hearing Care

- Eligible expenses:
 - * Fees for a hearing examination
 - * Hearing aids
 - * Batteries for operation of hearing aids
 - * Hearing aid repair

Physical Examinations

- Eligible expenses:
 - * Routine and preventive physicals
 - * School and work physicals

Vision Care

- Eligible expenses:
 - * Fees for an optometrist or ophthalmologist
 - * Eyeglasses, including lenses and frames
 - * Contact lenses
- Ineligible expenses:
 - * Lens replacement insurance
 - * Warranties
 - * Protection Plan
 - * Clip-on sunglasses for prescription glasses

Therapy and Treatments

- Eligible expenses:
 - * X-rays, radium and chemotherapy treatment
 - * Hypnosis for the treatment of an illness
 - * Fees for a halfway house that helps individuals adjust from life in the hospital to community living
 - * Treatment for alcoholism or drug dependency
 - * Physical or occupational therapy by a licensed therapist (as a medical treatment)
 - * Fees for use of swimming pool for exercises prescribed by a physician to alleviate a specific medical condition such as rheumatoid arthritis
 - * Fees for weight loss or smoking cessation programs prescribed by a physician to alleviate or prevent a specific medical condition
 - * Speech therapy
 - * Acupuncture
 - * Hair transplant if medically necessary and prescribed by a physician

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- * Electrolysis if medically necessary and prescribed by a physician
- * Occupational therapy
- * Infertility treatment
- Ineligible expenses:
 - * Fees for exercise, athletic or health club membership that is not prescribed by a physician
 - * Fees for aerobics classes or dance lessons even though recommended by a physician for general health purposes
 - * Fees for weight loss and smoking cessation programs for general health purposes
 - * Physical treatments unrelated to specific health problem (e.g., massage for well-being)
 - * Any illegal treatment



Psychiatric Care

- Eligible expenses:
 - * Fees for licensed psychotherapists, psychiatrists and psychologists
 - * Legal fees directly related to the commitment of a mentally ill person
- Ineligible expenses:
 - * Psychoanalysis undertaken to satisfy curriculum requirements of a student
 - * Marriage counseling

Assistance for the Handicapped

- Eligible expenses:
 - * Fees for tutoring by a licensed school or therapist for a child with a severe learning disability
 - * Fees for a blind person's guide
 - * Fees for a deaf student's note-taker
 - * Braille books and magazines that exceed the cost of regular editions
 - * Guide dog for a blind or deaf person, and the cost of training and maintenance
 - * Household visual alert system, audio display equipment or telephone for a deaf person
 - * Cost of specifically equipping a vehicle for a handicapped person that exceeds the cost of an ordinary vehicle, and the device for lifting a handicapped person into the vehicle
 - * Special devices, such as a tape recorder and typewriter, to aid a blind person
 - * Advance payment to a private institution for lifetime care, treatment or training of a mentally or physically handicapped person

Miscellaneous Charges

- Eligible expenses
 - * Ambulance services
 - * Amounts paid for transportation primarily for and essential to



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medical care including car mileage, bus, taxi, train, plane fares, parking fees and tolls

- * Lodging expenses (not provided in a hospital or similar institution) not to exceed \$50 per night per individual while away from home if the lodging is primarily for and essential to medical care provided by a doctor
- * Expenses and services related to donating an organ
- * Fees for computer storage of medical records
- * Cost of a medically prescribed and necessary diet that exceeds the cost of a normal diet
- * Charges for medical care included in a tuition fee if billed separately
- * Sales tax associated with an eligible expense
- Ineligible expenses:
 - * Medical expenses which are claimed on your tax return
 - * Expenses of divorce when doctor or psychiatrist recommends divorce
 - * Cost of special foods taken as a substitute for regular diet, when the special diet is not medically necessary or cost is not in excess of a normal diet
 - * Funeral and burial expenses
 - * Maternity clothes
 - * Diaper service
 - * Cosmetics, toiletries and sundry items
 - * Pajamas purchased to wear in the hospital
 - * Installation of power steering in an automobile
 - * Mobile telephone used for personal phone calls as well as calls to a physician
 - * Distilled water purchased to avoid drinking fluoridated water supply
 - * Transportation expenses to and from work even though a physical condition may require a special means of transportation
 - * Cosmetic surgery
 - * Teeth whitening, unless caused by a disease or accident

Dependent Care Account

Here is a list of expenses that qualify for reimbursement from the Dependent Care Account. Generally, eligible expenses include the cost of child care for dependents under age 13 or care for a disabled spouse or dependent that allows you or you and your spouse to work. You'll also find examples of expenses that do not qualify for reimbursement because they are not considered legitimate deductions for federal income tax purposes. To make sure your situation and the type of care being provided meet IRS requirements, refer to IRS Publication 503, available at [IRS Publication 503](#).

- Eligible expenses:
 - * Fees paid to a child care center or day care camp that complies with all applicable state and local regulations if providing care for more than six children
 - * Full amount paid to a nursery school, even though the cost may include lunch and education services
 - * Fees paid to a babysitter in or outside your home
 - * Fees paid to a relative who provides dependent care services, other than your spouse, your child under age 19 or a dependent you claim for federal income tax purposes

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- * Fees paid to a housekeeper or cook who also is responsible for providing care for an eligible dependent
- * Fees paid to a nurse or home health care agency for care for your spouse or legal dependent who is physically or mentally incapable of self-care
- * Legally mandated amounts paid on behalf of the provider such as, Social Security (FICA), federal (FUTA) and state (SUTA) unemployment taxes
- Ineligible expenses.
 - * Food, clothing and education
 - * Transportation to and from the place where dependent care services are provided
 - * Fees paid for a child care center that provides care for more than six children but does not comply with all applicable laws
 - * Expenses for which a federal child care tax credit is taken or which are claimed under the Health Care Account
 - * Search fees for a dependent care provider

Plan Restrictions

In order to provide these tax-free benefits, the FSA program must and does contain the following plan restrictions.

- * Elections must be made prior to the beginning of the plan year.
- * Elections are binding for the plan year. You cannot increase or decrease your deposits or end your participation unless there's a change in your employment or family status.
- * Those changes are defined as marriage or divorce, legal separation, birth or adoption of a child, death of a spouse or dependent, change in your spouse's employment status or a significant change in coverage attributable to your spouse's employment. Changes in your deposit amounts must be within 30 days of your change in status. If you have a change in family status during the year and you want to make a change to your FSA, please complete the [FSA Change Form](#) it to Human Resources.
- * You must use the full amount in each of your accounts by the end of the plan year or lose any money left over. OTS will not return any unused account balances to you or carry remaining balances over to the following plan year.
- * Money cannot be transferred from one account to another. For example, if you use up the money in your dependent care account but have money left in your health care account, you cannot take money out of your health care account to get reimbursed for dependent care expenses. In addition, you will be responsible for paying taxes on any forfeited dependent care amounts.



Reimbursement Procedures

Once eligible expenses have been incurred, employees complete the [FSA Claim Form](#) and attach proof that the expense has been incurred. Proof includes a copy of an itemized bill, receipt, prescription bag or an Explanation of Benefit (EOB) statement that shows the deductible and/or copayment owed by the employee. Submit both Reimbursement Request Form and proof to the address on the Form.

The plan administrator will send a check to you for the amount that qualifies for reimbursement. You may also sign up with Erisa for direct deposit for your reimbursements. Employees will also receive quarterly statements showing account balances.

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Reimbursement Requests may be sent as often as needed by the employee. Checks or direct deposits are made twice a week.

Under the health care account, employees may be reimbursed for eligible expenses incurred as of the first day of the plan year up to the total amount elected for the current plan year.

Under the dependent care account, employees may be reimbursed only up to the amount in the employee's account. Requests exceeding employee's balance will be paid only up to the balance amount. Additional reimbursements are mailed as money accrues in the dependent care account.

There is no minimum amount for requests for reimbursement.

Participating employees have a 90-day grace period after the end of a plan year to continue to request reimbursement for eligible expenses incurred during the plan year, regardless of when they are paid.

How to File an Appeal

Once you file a request for reimbursement, you will normally receive a response within 14 days. If a request is denied, either totally or partially, you will receive a written notice within 90 days after the request for reimbursement is received.

If you disagree with a request for reimbursement denial, you may submit a written request to the plan administrator for a review of the denial. The request must be made within 60 days after the request for reimbursement is denied.

Within 60 days after a written request for review is received, you will receive a written notice of the final decision or the reason for the delay in reaching a final decision, if special circumstances require an extension of time. In any event, a final decision will be reached, and you will be notified, within 120 days after your written request for review is received.

Enrollment

Employees must use the FSA Enrollment Form to enroll in either the health care or dependent care account. Employees may enroll in either, both, or neither of the accounts. Enrollment is offered once a year.

Enrollment provides benefits for you, your spouse and your dependent children up to age 24, if they are a full time student.

Enrollment elections are binding and may not be changed unless a change in family status occurs. (See "Plan Restrictions.")

Enrollment Forms must be submitted to Human Resources no later than announced plan year deadlines or within 31 days of an OTS hire date.

Termination or Retirement

If a participating employee leaves OTS or retires, there is a 90-day grace period from the date of termination or retirement to continue to request reimbursement for expenses incurred prior to the date of termination or retirement.

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All pretax benefits terminate when the employee leaves OTS. Pretax benefit programs are not transferable to other federal agencies.

General Plan Information

The information following, together with the information contained in the preceding pages, forms the Summary Plan Description as required by the Employee Retirement Income Security Act of 1974 (ERISA).

1. Name of Plan

OTS Pretax Benefits

2. Plan Sponsor

Office of Thrift Supervision
Department of the Treasury
1700 G Street, N.W.
Washington, D.C. 20552

3. Plan Administrator

Director of Human Resources
Office of Thrift Supervision
Department of the Treasury
1700 G Street, N.W.
Washington, D.C. 20552
(202) 906-6000

4. Name and Address of Employer Whose Employees Are Covered by the Plan

Office of Thrift Supervision
Department of the Treasury
1700 G Street, N.W.
Washington, D.C. 20552

5. The Employer Identification Number Assigned to the Plan by the Internal Revenue Service

6. The Plan Number Assigned to the Plan by the Plan Sponsor

501

7. Type of Plan

This is a welfare benefit plan maintained for the purpose of providing employees with the opportunity to pay for health care premiums and expenses and dependent care expenses with before-tax dollars.

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8. Type of Administration of the Plan

The reimbursement accounts are administered by:

OTS/FSA Administrator
CompuSys/Erisa Group Texas
12325 Hymeadow Drive
Austin, TX 78750-1849

9. Agent for Service of Legal Process

Chief Counsel
Office of Thrift Supervision
Department of the Treasury
1700 G Street, N.W.
Washington, D.C. 20552
(202) 906-6000

10. Eligibility Provisions

All benefits under this Plan are subject to certain eligibility provisions. These eligibility provisions are explained on earlier pages.

11. Source of Contributions to the Plan

This Plan is funded by employee pretax contributions. OTS pays the administrative costs of the Plan from general assets.

12. Date of the End of the Plan Year

The plan year ends on the last day of the payroll year for OTS employees.

13. How to File Claims and Appeals

The procedures for filing claims and appeals are explained on earlier pages.

Rights and Protections

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

1. Examine, without charge, at the Plan Administrator's office, all plan documents, including insurance contracts and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports and plan descriptions.
2. Obtain copies of all plan documents and other plan information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for the copies.
3. Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

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In addition to creating rights for the Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently, in your interest and that of the other Plan participants beneficiaries. No one, including your employer, may terminate you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA. If your claim for a benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the Plan Administrator review and reconsider your claim.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor.

Example I - Tax Advantages

The following example illustrates the tax advantages of a dependent care reimbursement account. It compares (I) cash compensation, (II) a \$5,000 payment under a dependent care reimbursement account, and (III) the dependent care credit for a single individual earning \$20,000 per year, with one dependent and \$5,000 of dependent care expenses, claiming two exemptions and the standard deduction, and filing a "head of household" return using 1990 tax rates. You are only permitted to use the Dependent Care Reimbursement Account or claim a dependent care credit on your income tax form, you cannot do both.

	Cash Alternative (Without) DCRA or FTC)*	Dependent Care Reimbursement Account (DCRA)	Federal Tax Credit (FTC)
Gross Income	\$20,000	\$20,000	\$20,000
DCRA gross income exclusion.....	0	5,000	0

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Adjusted gross income.....	20,000	15,000	20,000
Standard Deduction	4,750	4,750	4,750
Exemptions (2 x \$2,050).....	4,100	4,100	4,100
Taxable Income	11,150	6,150	11,150
Income Tax (from tax tables).....	1,676	926	1,676
FICA Employee	1,530	1,148	1,530
FICA Employer	1,530	1,148	1,530
Employee's dependent care.....	0	0	600
tax credit		(25% of \$2,400)	
Total tax liability			
Employee	3,206	2,074	2,606
Employer	1,530	1,148	1,530
Tax savings with respect to \$5,000 expenditure:			
Employee (FICA + Federal)	0	1,132	600
Employer (FICA only).....	0	382	0

*DCRA = Dependent Care Reimbursement Account

FTC = Federal Tax Credit

NOTE: State tax varies by state and is not considered in this example.

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Example II - Tax Advantages

The following example illustrates the tax advantages of a dependent care reimbursement account. It compares (I) cash compensation, (II) a \$5,000 payment under a dependent care reimbursement account, and (III) the dependent care credit for a married individual earning \$25,000 per year, with two dependent children and \$5,000 of dependent care expenses, claiming four exemptions and the standard deduction, and filing a joint return using 1990 tax rates. You are only permitted to use the Dependent Care Reimbursement Account or claim a dependent care credit on your income tax form, you cannot do both.

	Cash Alternative (Without) DCRA or FTC)*	Dependent Care Reimbursement Account (DCRA)	Federal Tax Credit (FTC)
Gross Income	\$40,000	\$40,000	\$40,000
DCRA gross income exclusion.....	0	5,000	0
Adjusted gross income.....	40,000	35,000	40,000
Standard Deduction	5,450	5,450	5,450
Exemptions (4 x \$2,050).....	8,200	8,200	8,200
Taxable Income	26,350	21,350	26,350
Income Tax (from tax tables).....	3,956	3,206	3,956
FICA Employee	3,060	2,678	3,060
FICA Employer	3,060	2,678	3,060
Employee's dependent care.....	0	0	960
tax credit			(20% of \$4,800)
Total tax liability			
Employee	7,016	5,884	6,056
Employer	3,060	2,678	3,060
Tax savings with respect to \$5,000 expenditure:			
Employee (FICA + Federal)	0	1,132	960
Employer (FICA only).....	0	382	0

*DCRA = Dependent Care Reimbursement Account

FTC = Federal Tax Credit

NOTE: State tax varies by state and is not considered in this example.

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Social Security Reduction Table

**Estimated Percentage and Dollar Amount Reduction
in Monthly Primary Social Security Benefits
Payable at Age 65 - 1988**

In Tables 1, 2, and 3 below, we have illustrated the ultimate reduction in Social Security benefits, for a person contributing the following amounts to a flexible benefits plan: \$50, \$100, and \$200 per month.

**Table 1
Initial Monthly Contribution - \$50**

Current Age	Estimated Reduction in Monthly Primary Benefits If Current Salary Is:					
	\$10,000		\$20,000		\$30,000	
30	2.9%	\$ 79	1.8%	\$ 78	0.8%	\$ 42
40	1.9%	\$ 30	1.2%	\$ 30	0.7%	\$ 21
50	1.0%	\$ 9	1.0%	\$ 15	0.4%	\$ 7
60	0.5%	\$ 3	0.5%	\$ 4	0.2%	\$ 2

**Table 2
Initial Monthly Contribution - \$100**

Current Age	Estimated Reduction in Monthly Primary Benefits If Current Salary Is:					
	\$10,000		\$20,000		\$30,000	
30	5.8%	\$158	3.6%	\$156	1.5%	\$ 79
40	3.7%	\$ 58	2.4%	\$ 60	1.3%	\$ 39
50	1.9%	\$ 18	2.0%	\$ 30	0.8%	\$ 14
60	1.1%	\$ 6	0.9%	\$ 8	0.4%	\$ 4

**Table 3
Initial Monthly Contribution - \$200**

Current Age	Estimated Reduction in Monthly Primary Benefits If Current Salary Is:					
	\$10,000		\$20,000		\$30,000	
30	11.7%	\$318	7.3%	\$317	3.0%	\$159
40	7.4%	\$116	4.7%	\$118	2.6%	\$ 78
50	3.6%	\$ 34	3.5%	\$ 53	1.7%	\$ 29
60	1.9%	\$ 10	1.8%	\$ 15	0.8%	\$ 8

The tables assume that the individual's salary will go up 6% per year in the future, and that his or her salary reduction contributions to the plan will also go up 6%. The tables also assume that the Social Security benefit formula will remain unchanged in the future.

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